

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 2, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB1841 by Hartnett (Relating to the taxability of Internet hosting.), **As Introduced**

Due to the ease with which users of Internet hosting services can substitute purchase of such services from providers with facilities in one state for purchases of hosting services from providers with facilities in another state, as well as the uncertainty that purchase of Internet hosting could constitute a substantial nexus were that the purchaser's only activity in the state, the fiscal implications cannot be determined.

This bill would amend Chapter 151 of the Tax Code, regarding the sales and use tax, to provide that a person whose only activity in this state is as a user of Internet hosting is not engaged in business in this state.

"Internet hosting" would be defined as the provision, to an unrelated user, of access via Internet to computer services using property of the provider for data storage or processing or use of software.

A provider of Internet hosting would not be required to examine a user's data to determine applicability of Chapter 151 to a user, to report to the Comptroller's Office about a user's activities, or to advise a user as to applicability of Chapter 151.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD